

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
AUGUST 26, 2021**

The regular meeting of the Retirement Board of Trustees was held in the Metropolitan Council Chambers at 222 St. Louis Street, and was called to order at 10:00 a.m. by Board Vice-Chairman Mr. Mark LeBlanc. Members present: Mr. J. Daniels, Mr. Brian Bernard, Mr. David West, Chief Britt Hines, and Lieutenant Matt Johnson. Absent: Ms. Marsha Hanlon. Staff present: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Mark Williams, and Mr. Kyle Drago. Others present: Ms. Denise Akers – legal counsel, Mr. John Williams – Mayor's Office, Mr. Joe Toups – Council Budget Office, Ms. Angie Savoy, Ms. Sharon Campbell, and Ms. Debbie McClure – Finance Department, Mr. Pat Guidry – IS, Mr. Cary Cashio – DPW, and Mr. Paul Cobler – the Advocate.

Mr. Drago formally called the roll.

The vice-chairman began by announcing that Item 9A, Ratification of Election by Acclimation of Police Board Representative Lieutenant Matthew Johnson, would be taken out of order.

Motion by Mr. West, seconded by Mr. Bernard to ratify Lieutenant Matthew Johnson's election by acclimation to the Retirement Board.

No discussion and no objections.

Motion passed by those members present.

Returning to the regular order of business the vice-chairman introduced Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of July 29, 2021, and called for a motion.

Motion by Mr. West, seconded by Lt. Johnson to suspend the reading of, and approve the minutes of the regular meeting of July 29, 2021 as presented.

No discussion and no objections.

Motion passed by those members present.

There were no items to address under Item 2, Disability.

The next item on the agenda was Item 3, Benefits Report, and the vice-chairman called on Mr. Yates to present the report. Mr. Yates stated that there was nothing unusual on the report, and that the report was in order as presented.

Motion by Mr. Bernard, seconded by Mr. West to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The vice-chairman then moved to Item 5, Consultants' Reports, and under Item 5A, Status on Pending Legal Matters, recognized Ms. Akers for her legal update report. Ms. Akers addressed the securities litigation matters, and noted that in the MacroGenics suit there was no change, with all parties waiting on the ruling on the motion to dismiss. In the GreenSky litigation she noted that the notice of settlement had been sent out, and that we are still waiting on the final approval hearing. Regarding the Impinj case, she stated that the court had granted the motion to distribute the settlement proceeds, and that CPERS was waiting to receive its pro-rata share of the proceeds soon. In the Energy Transfer case, the discovery stage had begun, and that she and Mr. Yates had had a phone conference with the attorneys to work on responses to discovery leading to a deposition sometime in the future. She noted that Mr. Yates would make himself available for the deposition even if it is after his date of retirement. In Merrit Medical, the discovery phase was continuing, but nothing formal had yet been received by CPERS. Ms. Akers stated that the next item on her list was the advertisement for the Retirement Administrator position, and that the Board had tasked her, Mr. Yates, and Ms. Hanlon with developing a job description to be used to advertise the open position. She noted a draft document in the Board packets, which was enhanced from the original document and then patterned after a number of similar job descriptions Ms. Akers had found. She recommended not disclosing the pay for the position, and she polled other Louisiana retirement systems to obtain the pay for their directors. She also noted a proposed timeline and marketing schedule for the position. She recommended that the Board review it and approve or modify it at this meeting so that

it can be advertised for resumes to be received between September 1st and October 1st. The job description could be circulated to LAPERS members, to Bob Klausner for distribution to his client firms, and to the System's two security litigation attorneys. Ms. Akers suggested discussing the resumes at the September Board meeting and forming a committee to evaluate each one after the October 1st date. She noted that the intent was to have the new administrator work with Mr. Yates for two months leading up to his departure. Mr. Bernard noted that the current City-Parish rules only allow a two-week concurrent period. Ms. Akers noted that there was an Attorney General's opinion for public retirement systems that stated that with anything involving money, the Board is not bound by City-Parish rules and ordinances because it deals with the money of the members. Mr. Bernard stated that he understood the AG's opinion, but that traditionally the Retirement Office had followed the rules of the City-Parish. Ms. Akers stated that with the administrator and assistant administrator leaving soon, it may be advisable to ask the Metro Council to allow more crossover period for the position. It was stated that the Board may have to pass an amendment to its budget to fund two positions working at the same time. Mr. Yates stated that when he became administrator the situation was much different than bringing in someone from the outside, since he had been serving as assistant for a number of years. Mr. Bernard stated that Mr. Yates could step down to the assistant position and therefore there would be no overlap for the administrator's position. Mr. Yates reminded the Board of the succession plan he had circulated to them, which if approved could be effective January 1, 2022. Ms. Akers again stated that she would be glad to reach out to the Metro Council regarding the overlap of the administrator's position, and Mr. Bernard stated that whatever way provided for the most concurrent working time would be good. She also stated that the process would require a Board meeting in early October and another in mid-October to interview any candidates. Mr. LeBlanc stated that the advertisement needed to include the pay range, and although there was no requirement to include the pay range, it was stated that to exclude it could create confusion and questions from interested parties. It was suggested that the upper limit of the pay range could be included in the posting, and could include the wording "commensurate with experience". Mr. Yates reminded the Board that Bob Klausner had stated that the Board has the ability to hire anyone it needs, whether on a contract basis, or as an employee, and include or not include any array of benefits. Mr. West asked about the timeline of trying to change the administrator's salary level, given that it must go through HR and Finance, and then pass with the Metro Council, including introduction, public hearing, and final approval. Discussion continued regarding when the Metro Council should address the pay issue, given the timeline of posting the job position and screening candidates. Mr. LeBlanc and Mr. Bernard stated their desire to proceed with advertising the job position and including at least the upper limit of the position. Ms. Akers noted that including the pay may discourage applicants who may have expressed an interest in applying and interviewing. The resumes would be mailed to Ms. Akers' office and she would answer questions from potential applicants. Mr. Daniels asked that all resumes be circulated to the entire Board.

Motion by Mr. Daniels, seconded by Mr. West to proceed with advertising the Retirement Administrator position according to the sample draft, and without including the salary.

No discussion and no objections.

Motion passed by those members present.

Mr. LeBlanc asked the Board about the succession plan Mr. Yates had sent out, regarding possible changes within the Retirement Office to fill some of the needed positions from within. He stated that he would like to place an item on the September Board meeting agenda to discuss this plan.

The vice-chairman then moved to Item 6, Committee Reports, and under 6B, Investment Committee he reported that an Investment Committee meeting had been held on August 24, 2021, at which AndCo presented the second quarter performance reports for the CPERS trust and the PGT. Mr. LeBlanc gave highlights of the performance numbers, which exceeded the custom benchmark. He noted that AndCo was recommending a rebalancing of the portfolio from equity to fixed income to get it back within the investment policy approved ranges, and that this action did not require a motion by the Board. The next item addressed was the recommendation that Magnitude Capital (hedge fund-of-funds manager) be terminated for performance reasons, and that two candidates (Evanston and Corbin) be interviewed for the allocation. Mr. LeBlanc noted that the committee had voted to ask Magnitude for a full redemption of capital, and should the replacement manager not be able to receive the proceeds at that time, the proceeds would be placed with BlackRock in the GTAA fund.

Motion by Mr. LeBlanc, seconded by Mr. West to adopt the recommendation of AndCo and proceed with a redemption call with Magnitude as of December 31, 2021.

No discussion and no objections.

Motion passed by those members present.

Next he noted some recommended changes to the Investment Policy Statement regarding some disclosures in the appendices showing CPERS and PGT minimum, target, and maximum allocations. Mr. LeBlanc read each item that was subject to change.

Motion by Mr. LeBlanc, seconded by Mr. West to authorize the changes to the Investment Policy Statement (Appendices A & B) as presented, and as recommended by AndCo.

No discussion and no objections.

Motion passed by those members present.

Moving to Item 7, Staff Reports, the vice-chairman noted that under Item 7C, there were invoices from the Law Office of Akers & Wisbar, and the vice-chairman called for a motion.

Motion by Mr. West, seconded by Mr. LeBlanc to approve payment for the charges to the law firm of Akers & Wisbar as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7D there was an invoice from the Law Office of Tarcza & Associates, and the vice-chairman called for a motion.

Motion by Mr. Daniels, seconded by Chief Hines to approve payment for the charges to the law firm of Tarcza & Associates as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 7E, there was an invoice from the offices of Foster & Foster, and the vice-chairman called for a motion.

Motion by Mr. Bernard, seconded by Lt. Johnson to approve payment for the charges to the offices of Foster & Foster as presented.

No discussion and no objections.

Motion passed by those members present.

Under 7F, there were a number of investment manager/consultant invoices for the Board's review.

Under 7G, Cash Activity Report, Mr. Drago presented the cash flow report and the budget comparison report and stated that these reports were for the Board's information.

The vice-chairman then moved to Item 8, Unfinished Business, and under Item 8A, Discussion of Retirement Ordinance Language Relative to Plan Tax Qualification Requirements, and he stated that he was aware that the Mayor's Office wanted to be included in the ordinance language changes. He called on Mr. John Williams of the Mayor's Office. Mr. Williams stated that he would like to get a copy of the most recent minutes in order to advise the mayor on this issue. Next, Ms. Akers was recognized for her comments. Mr. Yates called the Board's attention to some drafts of the retirement application forms that were amended to include language stating that the member acknowledges there is no understanding that any offer of reemployment occurred. Mr. West thanked the staff for adding that language. Ms. Akers then stated that she had spent considerable time going through the CPERS ordinances to determine what amendments should be made in order to carry out the motions made by the Board. She stated that Mr. Daniels had requested a copy of the original document created by Ms. Hanlon, and to show the changes voted on by the Board at the last meeting. She noted that the actual proposed ordinance language was not being presented yet, but was being reviewed by Ms. Hanlon and the CPERS staff. She also noted that the Parish Attorney's Office had assigned Ms. Kim Brooks to work with Ms. Akers regarding the writing and presentation of the ordinance changes. Her purpose today was to get any comments, questions, or observations from the Board members, and to present it after the staff and Ms. Hanlon had reviewed it. She called the Board's attention to Ms. Hanlon's document and the subsequent changes, such as not including the term "normal retirement age", but instead listing age 59 ½. She noted the first section pertained to rehired retirees who have reached the age of 59 ½ and who would be limited to working a 12-month period of time, barring special circumstances approved by the Metro Council. There would also have to be a 6-month waiting period from last employment to re-employment. She asked the Board whether or not they wanted to propose any exceptions to that waiting period. They did not. Ms. Akers continued under section 2, which dealt with re-employment of a retiree when they have not reached age 59 ½, and the new provisions limit the wages to 25 percent of the pay rate in effect at retirement date. She noted that employees in this situation will receive their monthly CPERS pension, which shows that they had a true separation of service, but she also noted that Mr. Tarcza had clearly stated that if a member is receiving their monthly pension, they can also receive distributions from their DROP. Mr. Yates stated that those distributions would be in the form of substantially equal periodic payments (SEPP) in order to avoid 72(t) penalties. Ms. Akers briefly explained the rules for avoiding the 72(t) penalties for those retiring prior to attaining the age of 55. She noted that a member receiving SEPP could change or discontinue those payments from DROP upon attaining the age of 59 ½. She then noted that the way the document was drafted, the members under age 59 ½ who were receiving their monthly pension would not have access to their DROP account. She stated that this was not a requirement of a tax-qualified plan, but that language was what the Board adopted at the last meeting. Mr. LeBlanc stated that access to DROP for members in this situation should allow for distributions under 72(t). Mr. Yates stated that he believed the Board would want to do everything possible to give the members the most options, while still staying within the qualified plan guidelines. Ms. Akers stated that she would draft the ordinance changes to reflect that these members can receive DROP distributions in SEPPs, having met all the restrictions for a true retirement separation from service. Mr. Smith noted that if the changes being discussed were approved, that would be consistent with CPERS' policy currently in place. Mr. Bernard stated that he would like to hear from Ms. Hanlon about why she drafted the policy as she did, prior to making any changes. Ms. Akers committed to

talking to her about this language. She continued by stating that the retiring member would sign an acknowledgement regarding no offer of re-employment. She also wanted to clear up questions regarding the employer being required to report earnings of the rehired retirees, with quarterly reporting for members age 59 ½ and annual reporting for members under that age. She questioned why both groups would not be on the same reporting basis. She recommended quarterly reporting for both groups, and the Board did not have any objections. She noted that reemployment for members on a full-time basis remained unchanged in the rules, as well as reemployment for retirees who had not participated in DROP. She briefly reviewed those ordinance provisions. The next category covered DROP employees who do not cease employment at DROP ending date, and Ms. Akers reminded the Board that Mr. Tarcza stated that these members should not have access to DROP because they do not have access to their monthly pension. She noted that the Retirement Ordinances and the DROP contracts both currently state that in these cases the DROP interest is forfeited and the DROP account balance is distributed. She and Mr. Tarcza both agree that the qualified plan requirements should supersede the DROP contract provisions, and that she was confident she could argue in court that the distribution was originally intended as a penalty, but that the recommendation from the tax attorney required a change in the ordinances. Mr. Yates stated that the rules from Ms. Hanlon's document would require a mandatory distribution of DROP funds for these members upon attainment of the age of 59 ½, even though they could not receive their monthly pension. Mr. LeBlanc stated that his understanding was that the member would not be allowed to rollover or take a DROP distribution at all until turning 59 ½. Ms. Akers cited Ms. Hanlon's language that the member would not have access to DROP until turning age 59 ½, and did not specify that the DROP account would be distributed upon the member attaining that age. Mr. Smith noted that the document stated that if the member separated from service prior to age 59 ½ they could take the DROP funds out, and if they reached age 59 ½ while still working, the account would be distributed with no interest. Mr. Smith explained the current rules for these members and how the qualified plan rules had changed those by delaying the DROP distribution to the attainment of age 59 ½. Chief Hines asked whether or not members violating the DROP contract might earn interest between the end of DROP date and the date they separate from service. Ms. Akers stated that the current language did not allow any accrual of interest. Chief Hines noted that between age 50 and age 59 ½ the members' DROP funds would sit idle at CPERS without earning any interest. Ms. Akers stated that Mr. Tarcza had made it clear that earning interest on DROP was not a qualified plan issue, and that it was up to the system whether or not interest was paid and how it was paid. She noted Sheriff's Pension & Relief Fund as an example that addresses members who stay on after DROP, by rolling over the DROP account to LAMP, which is a tax-qualified 403(b) plan with a third party investment manager managing the funds. Mr. West and Mr. LeBlanc noted that retaining the DROP account and not paying interest would be a benefit to CPERS. Ms. Akers did note a possible situation in which the System would lose money on investments for a prolonged period of time and according to an Attorney General's opinion would have to guarantee the member's DROP principal amount. Mr. Yates commented on Chief Hines' question, and asked that if the member did not have access at all to the DROP whether or not the System should pay interest going forward because some members have made decisions on the expectation of receiving DROP funds, even decisions in community property settlements with former spouses. Ms. Akers again stated that this would be a policy decision by the Board through the Metro Council. Chief Hines expressed his opinion that at least for the members who were already enrolled in DROP, they should be paid interest rather than leaving their DROP funds idle for possibly years. Discussion continued regarding how many members might be in this situation, and Mr. Smith stated that he could create those statistics and circulate them to the Board in a short time. Ms. Akers stated that she would also touch base with the actuary, Ms. Johnson, about any impact to the System on paying or not paying interest on the DROP for members who chose to violate the DROP contract. Mr. Bernard stated that the list of members who had remained employed full-time after DROP could be further increased by members currently still on DROP that may decide to stay on after DROP. Mr. Smith stated that he had no way of anticipating who those members might be. Ms. Akers noted that this issue of possibly paying interest on DROP for those who had violated their DROP contract but could not access their DROP still needed to be addressed by the Board. Mr. Mark Williams noted the possibility of paying these members a fixed rate of interest, possibly tied to a bond rate, rather than paying the calculated DROP interest rate that other members receive. Ms. Akers noted her timetable for getting the changes to CPERS' staff and chairman for review, as well as to the actuary and tax counsel with the hope that that process is complete prior to the next Board meeting. This would allow the proposed ordinance language to be distributed to the Board with the monthly legal counsel update. If the Board then approved the language, she would send it on to the Parish Attorney's Office for further input, with a goal of submitting something to the Metro Council by mid to late October. She noted that a Metro Council member would need to sponsor the item. Mr. Toups was asked who he would recommend as a sponsor, and he recommended Councilman Dwight Hudson. Mr. LeBlanc asked Mr. John Williams if he could get the Mayor's comments to the Board prior to the next Board meeting, and Mr. Williams stated that he could possibly do that. He also stated that he had discussed with the Mayor the retiree return-to-work language and she wanted the authority for that to rest with the Mayor's Office, and that if Ms. Akers could share with him all the changes that were being considered, he could have a complete picture to present to the Mayor and get her final position on these issues. Both Mr. West and Mr. LeBlanc stated that they preferred to have these matters brought to the full Board rather than a subset of the Board. Ms. Akers stated that she would not be able to attend the October Board meeting. Mr. Daniels suggested having co-sponsors from the Metro Council, possibly Councilman Cole, to provide balance on these issues. Ms. Akers stated that she wanted to make sure the Board understood the provisions about avoiding the 72(t) penalties as a qualified plan. She also stated that at the last meeting, the issue had come up about possibly needing to amend the Plan of Government language regarding the Board makeup when the police no longer need Board representation. But her research showed that the current language provides for revoking the police member position and providing for another elected member from the non-police and fire member population. Both Mr. LeBlanc and Mr. West noted that future discussion on this could include the possibility of providing for a representative from one of the outside agencies. Ms. Akers observed that this change may require a Plan of Government amendment.

Under Item 10, Administrative Matters, Mr. Yates noted that there was some confusion regarding the date of next month's meeting. He stated that the date provided on the calendar was September 23rd, rather than the normal last Thursday date of September 30th, and that if a Board member had pushed the date back, it could left alone, but that if no one had a conflict it could be reset for September 30th. Seeing that Lt. Johnson had a conflict, the meeting remained scheduled for September 23rd.

The vice-chairman then continued with Item 11, Police Guarantee Trust Matters, and under Item 11A, PGT Benefits Report, recognized Mr. Yates who stated that the report contained one item which was in order as presented

Motion by Lt. Johnson, seconded by Mr. Bernard to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

Under Item 11B, the vice-chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

Under Item 11C, Consultants' Reports, there were no items to address.

There were several investment manager invoices under Item 11D.1 for the Board's review.

Under Item 11D.2, PGT Cash Activity Report, Mr. Drago presented the cash activity report and the budget comparison report.

Under Item 11E, there were no matters for consideration.

Under Items 11F Unfinished Business, and 11G, there were no matters to address.

Seeing no further items on the agenda, the vice-chairman called for a motion to adjourn.

Motion by Mr. West, seconded by Mr. Bernard to adjourn at 11:18 a.m.

No discussion and no objections.

Motion passed by those members present.

MARK LEBLANC
VICE-CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR